

# South Carolina Energy Advisory Committee

April 10, 2002 Meeting Minutes

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*Attachment A includes a list of committee members who attended.*

*Attachment B is the entire presentation given by the SCEO.*

The Energy Advisory Committee (EAC) meeting began at 2:00 p.m. The topics of discussion are arranged under each agenda item in the order that they occurred.

I. Introduction & Welcome

- Chairman Reid introduced Joseph Shine, the new Director of the Division of Legal Services and Grants, the new location of the SCEO.
- Mr. Shine thanked the members for their participation.

II. Approval of Minutes from November 28, 2001 Meeting

- Bob Long moved to approve the minutes.
- John Lomax seconded his motion and the minutes were unanimously approved.

III. Staff Response to Committee Questions from November 28, 2001 Meeting

- Mitch Perkins discussed the results of a review of videoconferencing for future communications. The cost was prohibitive for videoconferencing at about \$400 per hour per site, based on quotes from the state's technical colleges. However, teleconferencing remains a possibility if a member cannot travel to the meeting site.
- Mr. Perkins answered questions brought to the SCEO by Jim Herritage.
  - Mr. Herritage inquired as to the activities of other Energy Offices in the United States. Mr. Perkins distributed a handout that was distributed that contained basic information on the Energy Offices in the Southeast. Mr. Perkins also mentioned a book from the Southern States Energy Board that contains detailed information on the activities of Southeastern Energy Offices. Copies of the book were made available.
  - Another issue brought up by Mr. Herritage was the efforts of the SCEO to promote itself and its activities to the legislature and general public. Mr. Perkins described the role of the Public Information Coordinator in the SCEO and in the Budget and Control Board and how past activities have been publicized. He explained that the SCEO does not have direct access to the General Assembly unless necessary.
  - Mr. Herritage had also suggested that EAC members form subcommittees for specific topics as needed. Mr. Perkins expressed the SCEO's support for any subcommittee formation.
  - Mr. Perkins recognized Curtis Helfitch from the Public Service Commission in attendance. Mr. Reid requested that the PSC later provide a summary presentation on the merchant power plants study currently underway.

IV. Current South Carolina Energy Office Activities

- Janet Lockhart announced that the *Passive Solar Homes for South Carolina* publication had received an award from the State Library as one of the "Ten Most Notable State Documents" for 2001.

- Mrs. Lockhart explained the SCEO's role in the Southeast Green Power Summit on May 8-9, 2002 in Raleigh, NC. Conference brochures were provided.
- In February the SCEO submitted nine applications for State Energy Program Special Projects to the Department of Energy and Mrs. Lockhart briefly outlined some of the proposals. A handout was available with more details about each proposal. The EAC will be notified once the awards have been determined. The SCEO has also received additional federal awards for projects in Spartanburg and Chester.
- The SCEO requested input on several issues with the developing private sector loan program. Mrs. Lockhart presented options and took questions from members.
  - *To whom should the loan program be targeted?* The SCEO proposed several criteria such as businesses with less than 25 employees or less than \$2.5 million in sales. Mr. Lomax asked how those numbers compared with the Small Business Administration loan program. Mrs. Lockhart replied that the SBA's program encompasses a wider range of businesses.

Mr. Reid asked if there could be an energy component to the criteria so that applications would show the potential impact on energy consumption. Jim Grahl suggested that the annual sales amount did not correspond with the number of employees, stating that 50 employees might have annual sales around \$25 million. Mrs. Lockhart concluded that \$2.5 million might be very limiting.

Mr. Herritage proposed that the energy component be based on annual energy costs for the small business since some businesses are more energy intensive than others.

Mr. Logeman agreed with Mr. Grahl about the disconnect between revenues and number of employees. Mr. Logeman also clarified that he had included medium and small businesses in his recommendation for continuation of a private sector loan program at the November 28, 2001 meeting. From his work with mid-sized industry, he conveyed their need for assistance in implementing energy projects. He then proposed a variety of energy-related criteria such as energy use per square foot, energy use per employee, or energy use per value of product produced.

Becky Matthey asked if the intent of the loan program was to maximize the energy efficiency of a small business or to help small businesses, regardless of their level of energy consumption. Mrs. Lockhart replied that the intent would be to increase energy efficiency and reduce operating costs. Ms. Matthey then asked if the loan applications would be judged on the amount of potential energy reduction. Ms. Lockhart answered that the SCEO had considered a loan criterion based on the project's return on investment, but that would also be relative to the size of the business.

Mr. Logeman added that the business loan program should include an information component so that the results of projects are publicized in order to encourage adoption by other businesses. Mr. Reid added that the replicability of projects should also be incorporated into the program. Mr. Lomax stated that the eligibility criteria for the loan program are the most important component, especially depending on the amount of

funding available. Mrs. Lockhart specified that \$2 million would be available for the program.

Mr. Grahl asked how the SCEO would handle a loan to a business that later went into bankruptcy or other financial trouble. Mr. Reid said that financial due diligence would have to be done by some body prior to awarding the loan. Mrs. Lockhart explained that some other state loan programs run the funds through a bank so that the bank is the guarantor. Mr. Grahl then asked if the state was trying to keep the interest rate or cost to a minimum. Mrs. Lockhart said that the state was trying to keep the cost as low as possible and that going through a bank does cause the interest rate to increase.

Mr. Herritage wanted to know the interest rate and structure of the loan program. Since the new loan program has not been finalized, Mrs. Lockhart explained that the interest rate has not been determined. She then reviewed the structure of the previous business loan program.

Ken Cosgrove questioned the focus on small businesses, or on any specific category of business. Mr. Reid mentioned the discussion from the August 27, 2001 meeting that considered the lack of access to capital and technical expertise faced by small to medium-sized businesses. Mr. Logeman agreed that there should be a recognizable center for energy information and assistance for businesses. Mrs. Lockhart summarized the guidance of the committee saying that the originally suggested eligibility criteria might be too narrow.

- Mrs. Lockhart moved on to discuss the maximum loan amount in the new program. Mr. Grahl indicated that the proposed amounts were very large for potentially small projects. He said \$50,000 was enough for a project if the SCEO is targeting companies that have 50 or less employees and a gross income of \$25 million or less. Mr. Reid stated that there would be projects that we would want to do at any amount but that saying “no” would be necessary to enforce parameters.

Mr. Herritage asked if the SCEO had a protocol for estimating savings and return. Mrs. Lockhart said that the SCEO is able to estimate some projects but more complicated projects would require technical expertise. Mr. Herritage suggested guidelines in the application for engineers to prepare realistic savings estimates.

Mr. Logeman said that he assumed a committee would review the loan applications. He suggested involving a university or college to utilize their technical expertise as well as someone from the banking industry that would be familiar with loan procedures.

- The next area of discussion that Mrs. Lockhart raised included the various opportunities for administration of the loan program. The SCEO has looked outside the agency for alternatives to market and administer the funds, though some functions could be left within the SCEO, depending on the entity. The SCEO already manages a public sector loan fund and is developing another program for state agencies. The staff is spread too thinly to have another loan program located within the office. Mr. Reid said that the

SCEO should also consider adding staff to work on the private sector loan program. John Clark stated that the EAC could recommend increasing staff resources as part of their scope of authority. Bob Long said that he was uncomfortable putting \$2 million too far from the agency and then he inquired as to the arrangement of other states' programs. Mrs. Lockhart reviewed several states' programs as well as the alternatives that have been proposed in South Carolina. She said there could be a combination of duties allocated to different organizations like outreach, project screening and review, and financial administration. Ms. Matthey stated that local governments would face the same restrictions on staff levels as a state agency. Mr. Lomax suggested the SCEO look at Community Development Corporations since they already make loans. Mr. Perkins then remarked that the SCEO would like to keep some of the program within the office with additional staff, as had been the situation in the past.

Mr. Herritage asked about the source of loan funds and Mrs. Lockhart said they were Petroleum Violation Escrow funds from oil overcharge settlements. Mr. Reid then suggested several alternative arrangements utilizing organizational resources that were already established, like Business Carolina, the Department of Commerce's 'existing industry division,' local chambers of commerce, as well as the small business development centers. He outlined a loan program option of using another organization for outreach, obtaining financial assistance from an entity with experience to perform due diligence, using a university for engineering assistance, and managing the program primarily from the SCEO. In that combination, the SCEO is running the program and someone else is handling the specialty pieces of it.

Mr. Grahl wanted to know how the SCEO would verify savings following implementation of a project. Mr. Perkins replied that the SCEO now employs a mechanical engineer half-time with the State Engineer's Office and he will be charged with evaluating projects. Mr. Perkins also said that SCEO employees could evaluate some types of projects and some may even need to be out-sourced. Mrs. Lockhart explained that an engineering study would be required with each loan application but the SCEO also has to figure out how to manage renewable energy and innovative technology projects. Mr. Reid said the SCEO's efforts should be directed toward projects that reduce energy waste.

V. Updating the Strategic Action Plan for 2002-2003

- Kate Billing presented a status review of the 2001-2002 Strategic Plan and a summary of changes that will be incorporated into the 2002-2003 Updated Strategic Plan. The entire presentation is attached.
- Mr. Caughman stated that he would like to see much more attention placed on the energy outlook activity since the Strategic Plan activities should be based on the energy future for South Carolina. The mission of the SCEO includes assessing the energy availability of the state and it seems the state has no real idea of its energy outlook. Ms. Billing said that the SCEO had investigated how other states obtain an energy forecast and planned to issue a Request for Proposals for that information for South Carolina this year. Mr. Caughman said that the resources of the SCEO should be allocated so that obtaining the energy forecast is a priority. Mr. Logeman referred to a modeling system that he developed in the

1980s at the SCEO. Mr. Reid asked if the SCEO could include information on the potential for reductions in consumption in various sectors. Ms. Billing replied that the SCEO could work with other states to see if that information was available elsewhere. Mr. Logeman stated that a large amount of information was available but that knowledge was needed to interpret the significance of the data. Ms. Billing suggested the EAC form a subcommittee to assist in developing the RFP for the forecast.

VI. Other Business

- Mr. Reid requested a brief status report on the Department of Health and Environmental Control's ethanol station and the other activities related to establishing a tax incentive for alternative fuels. Ms. Billing reported that the DHEC ethanol station is operational. She said that the Clean Cities Coalition is still working to open two stations in Rock Hill. Ms. Billing then said that the legislation for the tax incentive was introduced; however, it is still in committee.
- Mr. Reid requested an update on the Legislative Audit Council audit of the SCEO and Mr. Perkins said that it was in draft form and still not publicly available.
- Mr. Reid provided a brief summary of legislation that had been introduced concerning the SCEO and stated it appeared that it would not lead to action in the legislature.

The meeting ended at 4:30 p.m.

## **Attachment A**

### Committee Members in Attendance

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1. Gerald Caughman
2. Ken Cosgrove
3. Jim Cumberland
4. Jim Grahl
5. Jim Herritage
6. David Logeman
7. Bob Long
8. James Painter
9. Phil Porter
10. David Reid
11. William Stephenson
12. Marc Tye
13. Nancy Vinson
14. Mitch Williams

**Attachment B**  
SCEO Presentation

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